

# Virginia's Road to the Future

## Governor McDonnell's 2013 Transportation Funding and Reform Plan

### In-State vs. Out-of-State: Who Pays?

Since Governor McDonnell's announcement of his 2013 Transportation Funding and Reform Plan – Virginia's Road to the Future – questions have been raised about whether eliminating the 17.5 cents per gallon tax on gasoline and increasing the sales and use tax (SUT) by 0.8% to 5.8% will benefit out-of-state drivers and residents.

**Based on available data, it is projected that conversion to the SUT will actually increase revenues from out-of-staters for Virginia's transportation system.**

Because the gas tax is collected at the rack, not the pump, neither DMV nor the retailers and wholesalers can directly track the amount of gas tax paid by out of state drivers. The data simply does not exist.

Consequently, proxies must be used to approximate how much of gas and sales tax revenues come from out-of-state drivers. The following are reasonable proxies to determine the impact of Governor McDonnell's plan.

- The Virginia Tourism Corporation estimated in 2008 that 9.1% of SUT revenues came from out-of-state travelers.
- According to the Virginia Center for Transportation Innovation and Research (VCTIR), 9.1% of vehicle miles traveled in Virginia are traveled by out-of-state drivers.
  - In 2011, Virginia DMV reports that there were 6,584,632 registered passenger vehicles in Virginia.
  - In the same year, VDOT's Traffic Engineering Division (TED) estimates that there were 77,067,660,000 vehicle miles traveled by passenger vehicles on Virginia's roadways.
  - The average annual mileage per vehicle is estimated at 10,640 based on national vehicle registration and VMT data as evaluated by the U.S. Energy Information Administration and the National Household Travel Survey.
  - By multiplying the number of registered vehicles in Virginia by the average annual mileage, one can determine that 70,060,484,480 of the 77,067,660,000 vehicle miles traveled in Virginia were traveled by Virginia residents.
  - Comparing in-state versus out-of-state VMT, one can determine that **out-of-state drivers constitute 7,007,175,520, or 9.1%,** of the vehicle miles traveled in Virginia.

If you apply the 9.1% of out-of-state vehicle miles traveled in Virginia to the repeal of the gas tax, and the 9.1% out-of-state SUT revenues to the revenues generated by the 0.8% SUT increase, **the Governor's plan will generate proportionately greater revenues from out-of-state residents than Virginians.**

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FY 2014:

	Revenue Impact	% Paid by Out-of-State	\$ Paid by Out-of-State
Gas Tax Revenue	(\$684,100,000)	9.1%	(\$62,253,100)
0.8% SUT Increase	\$708,700,000	9.1%	\$64,491,700

FY 2018:

	Revenue Impact	% Paid by Out-of-State	\$ Paid by Out-of-State
Gas Tax Revenue	(\$713,800,000)	9.1%	(\$64,955,800)
0.8% SUT Increase	\$896,700,000	9.1%	\$81,599,700

Another reasonable proxy is traffic convictions involving out-of-state drivers. Applying the same formula above using out-of-state convictions, the results are the same: **out-of-state drivers will pay more.**

FY 2014:

	Revenue Impact	% Paid by Out-of-State	\$ Paid by Out-of-State
Gas Tax Revenue	(\$684,100,000)	9.6%	(\$65,673,600)
0.8% SUT Increase	\$708,700,000	9.1%	\$64,491,700

FY 2018:

	Revenue Impact	% Paid by Out-of-State	\$ Paid by Out-of-State
Gas Tax Revenue	(\$713,800,000)	9.6%	(\$68,524,800)
0.8% SUT Increase	\$896,700,000	9.1%	\$81,599,700

Utilizing either one of the two proxies, it can be estimated that Governor McDonnell's plan to eliminate the gas tax and rely on the SUT for funding transportation will not disproportionately impact Virginians. In fact, by FY 2018, out-of-state drivers will contribute between \$13 and \$16 million more to Virginia's transportation networks.